

## Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 FCSC-01 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SPC-03

SS-15 USIA-15 ACDA-19 IO-13 INT-08 SCS-03 SCA-01 EB-11

STR-08 OMB-01 COME-00 TRSE-00 DRC-01 /163 W

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P 121607Z SEP 73

FM AMEMBASSY PRAGUE

TO SECSTATE WASHDC PRIORITY 5073

CONFIDENTIAL PRAGUE 2158

E.O. 11652: GDS

TAGS: PFOR, EFIN, L/C, CZ

SUBJECT: CLAIMS NEGOTIATIONS--SESSION 3

REF: PRAGUE 2146

1. BEGIN SUMMARY: CZECHS AGREED TO US PROPOSALS ON GOLD AND BOND OBLIGATIONS AND MADE COUNTER PROPOSALS ON SURPLUS PROPERTY QUESTION. AFTER REACHING UNDERSTANDING ON MEANING OF US \$26 MILLION LUMP-SUM SETTLEMENT OFFER, CZECHS RECESSED NEGOTIATIONS UNTIL THEY RECEIVED FURTHER INSTRUCTIONS.  
END SUMMARY.

2. ZANTOVSKY OPENED THIRD SESSION BY ACCEPTING US FORMULA-TION ON GOLD QUESTION AND SETTLEMENT OF BOND OBLIGATIONS ON TERMS PROPOSED BY US. CONCERNING SURPLUS PROPERTY AGREEMENT, HEW DREW US DEL'S ATTENTION TO EMBASSY'S AIDE MEMOIRE OF MARCH 25, 1970(TEXT IN PRAGUE 361 OF SAME DATE) WHICH PROPOSED SETTLEMENT IN CROWNS AND ASKED FOR US COMMENT. CHARG'E SAID THAT HE WOULD COMMENT LATER.

3. RETURNING TO LUMP SUM SETTLEMENT OFFER, ZANTOVSKY TOOK ISSUE WITH US DEL'S PARALLEL TREATMENT OF CLAIMS BY US CITIZENS AND COMPENSATION FOR VESTED STEEL MILL ARGUING THAT WHILE STEEL MILL CASE WAS WELL-DOCUMENTED COMMERCIAL TRANS-

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ACTION, VALUSE OF US CLAIMS WERE HIGHLY EXAGGERATED AND NOT

DOCUMENTED. CHARGE AGAIN DEFENDED VALIDITY OF US CLAIMS FIGURE AND OF RELATING TWO CATEGORIES AND THEN STRESSED THAT WHAT AS IMPORTANT WAS REASONABLE SETTLEMENT COVERING BOTH CLAIMS. ZANTOVSKY THEN DROPPED POINT.

4. DURING DISCUSSION OF US-PROPOSED \$26 MILLION SETTLEMENT IT BECAME APPARENT THAT CZECHS HAD NOT UNDERSTOOD SIGNIFICANCE OF OFFER. AFTER CHARGE EXPLAINED THAT FIGURE WAS NET SUM WHICH INCLUDED CREDIT FOR STEEL MILL, ZANTOVSKY EXPRESSED SURPRISE, SAID US PROPOSAL CREATES INSURMOUNTABLE PROBLEM, AND SUGGESTED THAT NEGOTIATIONS BE RECESSED TEMPORARILY AND THAT CHAIRMEN OF DELEGATIONS MEET AFTERNOON SEPTEMBER 13.

5. IN BRIEF CONVERSATION WITH CHARGE AFTER MEETING, ZANTOVSKY AGAIN EXPRESSED WHAT SEEMED TO BE GENUINE SURPRISE AT AMOUNT OF US PROPOSAL AND SAID THAT HE COULD NOT CONTINUE TALKS ON THIS BASIS WITHOUT FURTHER INSTRUCTIONS, AND WOULD NEED HELP IN PRESENTING SITUATION TO HIS SUPERIORS.

WORTZEL

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